

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF GAS COST RECOVERY)
FILING OF SIGMA GAS CORPORATION) CASE NO. 93-349-D

O R D E R

On December 15, 1993, in Case No. 93-349, the Commission approved certain rates for Sigma Gas Corporation ("Sigma") and provided by tariff for their further adjustment on a quarterly basis in accordance with its approved gas cost adjustment ("GCA") clause.

On August 30, 1996, Sigma filed its GCA to be effective October 1, 1996 through December 31, 1996.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Sigma's notice of August 30, 1996 proposed revised rates designed to pass on to its customers its expected wholesale decrease in gas costs. Sigma's proposed expected gas cost ("EGC") is \$2.9130 per Mcf.

Sigma's notice included a copy of a sheet provided by its supplier, Alliance Energy Services ("Alliance"), to Johnson County Gas Company, Inc. ("Johnson County") showing estimated citygate prices for natural gas for the months of October, November, and December 1996. Sigma followed its usual practice of using a simple average of the three months' price projections as its expected cost of gas from Alliance. Alliance, however, had included as part of the information on that sheet a citygate weighted average cost of gas

based on Johnson County's historical usage for each of the three months. The methodology used by Alliance is reasonable because it gives more weight to prices expected for months with historically higher usage. Although the average is calculated using Johnson County's historical usage instead of Sigma's, the relative weighting of the prices by higher usage months should be a more accurate projection of the quarter's gas price than the simple average. Alliance's citygate weighted average cost of gas of \$2.9143 per Dth should be used in place of Sigma's proposed \$2.7675. Sigma's EGC should be \$3.0677.

2. Sigma's notice set out no current refund adjustment.
3. Sigma's notice set out a current quarter actual adjustment ("AA") of (13.0) cents per Mcf to return over-recovered gas cost from April, May, and June 1996. The total AA of (6.9) cents per Mcf is composed of the current AA and a previous quarter AA.
4. Sigma's gas cost recovery rate ("GCR") is \$2.9987 per Mcf, 37.09 cents per Mcf less than the previously authorized rate.
5. Sigma's adjustment in rates contained in the Appendix to this Order is fair, just, and reasonable, in the public interest, and should be approved effective with bills rendered on and after October 1, 1996.


IT IS THEREFORE ORDERED that:

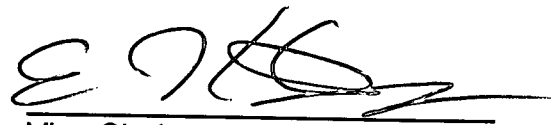
1. The rates proposed by Sigma are hereby denied.
2. The rates in the Appendix, attached hereto and incorporated herein, are fair, just, and reasonable, and are authorized to be effective with bills rendered on and after October 1, 1996.

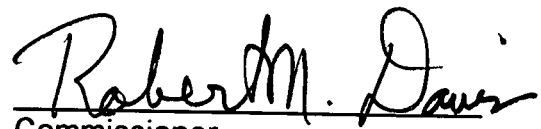
3. Within 30 days of the date of this Order, Sigma shall file with this Commission its revised tariffs setting out the rates approved herein.

Done at Frankfort, Kentucky, this 30th day of September, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 93-349-D DATED SEPTEMBER 30, 1996

The following rates and charges are prescribed for the customers in the area served by Sigma Gas Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

	<u>Base Rate</u>	<u>Gas Cost Recovery</u>	<u>Total</u>
First Mcf (Minimum Bill)	3.90	2.9987	6.8987
All Over 1st Mcf	2.97	2.9987	5.9687